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The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U.S.D.A.

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U. S. DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
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B&E

The February nose dives in farmers' prices for wheat, corn, hogs and soybeans were among the sharpest in history.

From January 15 to February 15, average prices of hogs slumped \$5.10, wheat 69 cents, corn 54 cents, soybeans \$1.14. Other commodities showing substantial declines were. Rye, barley, sorghum grain, cotton, oats and flaxseed.

Cattle were off \$2.00 during the month, lambs \$1.50. The decline in dairy products was about usual for the time of year while eggs fell less than seasonally. Chicken and turkeys were only slightly lower.

Resisting the general trend were rice, hay, potatoes, sweetpotatoes and oranges. All of them scored moderate gains.

Despite slump, prices of most important farm products remain above support levels. Following table shows average prices for February 15 and January 15; percentage February 15 price is of parity; current support levels which, in most cases, will not change until new marketing seasons begin. Supports for 1948 crops will be based on parity prices on dates shown in last column. This is not a complete list of products eligible for support.

| | Jan. 15 Av. Price | Feb. 15 Av. Price | Feb. 15 Price as % of Parity | Current Season Support | New Support |
|----------|----------------------|----------------------|------------------------------------|------------------------------|----------------|
| Wheat | \$ 2.81 | \$ 2.12 | 97 | \$ 1.83 | July 1 |
| Corn | 2.46 | 1.92 | 121 | 1.37 | Oct. 1 |
| Cotton | .3314 | .3071 | 100 | 1/ .2649 | 1/ Aug. 1 |
| Soybeans | 4.11 | 2.97 | 125 | 2.04 | Sept. 1 |
| Peanuts | .101 | .10 | 84 | .0999 | Aug. 1 |
| Flaxseed | 6.71 | 5.73 | -- | 2/ 6.00 | 2/ \$6.00 |
| Hogs | 26.70 | 21.60 | 120 | 3/ 16.15 | 3/ Apr. 1 |
| Eggs | .487 | .45 | 92 | -- | -- |

1/ middling 7/8 inch 2/ at Minneapolis 3/ at Chicago

A current support price for eggs has not been announced but the USDA will support them so that prices for the year will average 90 percent of parity nationally.

Skidding prices dropped index of prices received by farmers 9 percent, the sharpest break since 1921. At 279, the index was about the same as in mid-1947 but 6 percent above February 1947.

Prices paid by farmers, including interest and taxes, declined only 1 percent below the January record. The index in February was 248, 12 percent above a year earlier. Drop was mainly due to lower prices for feeds and foods which, along with building materials, were major boosters of index in 1947.

Greater decline in prices farmers received than in those paid caused parity ratio to drop from 122 in January to 112 in February. This is the lowest the ratio has been since November 1942.

Fall in prices of farm products and foods caused BLS wholesale price index to drop 4 percent by the third week in February after it had risen steadily for three months. Prices of other goods were generally firm and in some cases continued to advance. Retail prices have not shown much decline.

The measures of business activity give little reason for expecting the February price decline to turn into a recession.

Industrial production in January held at the peacetime record of the previous 2 months.

Employment was off seasonally in January but at 57.1 millions was 1.4 millions greater than a year earlier. Unemployment, at 2.1 million was up half a million from record low of December.

Salary and wage payments and personal incomes were higher in December than in November.

Cash receipts of farmers were about 4.5 billion dollars for the first two months of 1948, about 10 percent more than in January-February last year.

If price declines weaken business confidence, a fall in spending for new plants and equipment and for inventory accumulation might be among the first effects. These expenditures were very large in 1947 and were among the major forces behind the high level of business activity.

Exports in 1948 probably will be below last year when foreign countries spent 19.4 billion dollars for U.S. goods and services. The largest appropriation proposed under the European Recovery Program would not be enough to hold exports at the 1947 rate.

LIVESTOCK AND PRODUCTS Since slaughter probably will decline more than usual, livestock and meat prices this spring and summer are likely to remain near the 1947 average, perhaps higher, unless consumer incomes drop.

Fewer livestock were on farms and ranches January 1 than in any year since 1939. Last year, hog and cattle numbers fell off 3 percent, stock sheep 5 percent, chickens 2 percent, turkeys 32 percent. High prices for meat animals which encouraged heavy slaughter and high feed prices were among the chief causes for the decline.

Prices of milk and dairy products, except butter, were steady from mid-January to mid-February when most other farm products were declining. While they will decline seasonally, prices of most dairy items are likely to continue above a year earlier at least through mid-year.

After declining sharply in January, egg prices steadied and are likely to continue near support levels. Chicken and turkey prices have changed little for two months. A rise for both is in prospect. Farmers plan to raise fewer chicks and pouls in 1948 than in 1947.

GRAINS Among the causes of the recent break in feed grains were: Increased market receipts of corn; improvement in prospects for 1948 world winter wheat crop; the reduction in livestock prices. However, high livestock production will continue to support demand for feed; livestock prices are still high and feed grain supplies are low. Feed prices are likely to average higher this spring than a year earlier.

Among the factors in the slump in wheat prices were: Large supplies still on hand; favorable weather for U. S. winter wheat crop; marked improvement in crop prospects abroad; near completion of export purchases; lighter feeding of wheat than had been expected; the 150 million bushel minimum for carryover which will hold stocks well above the 83 million bushels of last July 1.

FRUIT AND VEGETABLES Prices of apples and pears dropped sharply in January, recovered a little in February; probably will not rise much if any this spring. Orange prices may increase slightly in March and April. Prices of grapefruit probably will stay at early February levels.

Prices farmers will receive for most fresh vegetables are expected to fall faster than usual in late winter and early spring. Commercial output is estimated to be 6 percent above last year.

Stocks of most canned vegetables in hands of packers and wholesale distributors at the beginning of the 1948 pack year probably will be smaller than a year earlier. Consumption is expected to continue at a near-record rate this winter.

Prices farmers will receive for 1947 crop potatoes and sweetpotatoes in March and April are expected to be slightly higher than those of January and February.

COTTON AND WOOL Domestic mills used 4,637,000 bales of cotton during the first half of the marketing year, about 11 percent less than in the same period of 1946-47. From August through December, 658,000 bales were exported, 918,231 below a year earlier.

Activity in domestic wool markets slowed down somewhat after the break in commodity markets. Spot prices were generally unaffected although some futures were off moderately.

Prices of fire-cured and dark air-cured tobacco are above last year, chiefly because of increase in support level. Burley prices during auctions just completed averaged about 48 cents per pound, more than a fifth higher than in the previous two seasons. Tobacco exports in last half of 1947 were down 25 percent from the last 6 months of 1946.

National marketing quota for 1948 burley crop has been increased to 514 million pounds, up 40 million from previous announcement. Total allotted acreage will be about 1 percent less than in 1947.